

The Latest Developments in Skilled Migration Policy



Good afternoon. I am very pleased to be with you today.

Let me begin by acknowledging the Ngunnawal People who are the traditional custodians of this land on which we meet today. I pay my respects to their elders, both past and present and recognise their continuing contribution to the Australian community.

I would like to thank Heather Ridout, Tony Melville and the members of the Australian Industry Group here in Canberra for their invitation to speak today. The department regards your association as one of our key stakeholders in the development and implementation of the reforms to migration program. In recent years we have worked very closely with you and with other business and union stakeholders on addressing the key policy and administrative challenges in this space. And let me at the

outset state the obvious: the migration program never lacks intensity and contention when it comes to policy design and implementation so we have had plenty of challenges in recent years.

I would also like to acknowledge the distinguished speakers that have preceded me today, The Hon. Kate Ellis (MP), Senator Abetz, David Miller and Stephen Smith from the AIG and Dave Oliver from the AMWU.

Distinguished guests, ladies and gentlemen.

Today, I will talk about the global nature of migration and the important role it plays in Australia's economic and social development.

I will then outline some skilled migration reform measures the department has implemented in recent times.

We are living in the age of migration. The International Organisation for Migration states that in 2010 there were 214 million migrants in the world, and that this number could rise to around 405 million by 2050. Historically speaking, populations around the world have never been so mobile and willing to move to regions and countries that afford them the best opportunities for themselves and their families.

With many developed economies around the world still in fear of another downturn, it has been widely recognised that the Australian economy remains fundamentally strong and stable. As such it is becoming increasingly attractive to skilled migrants.

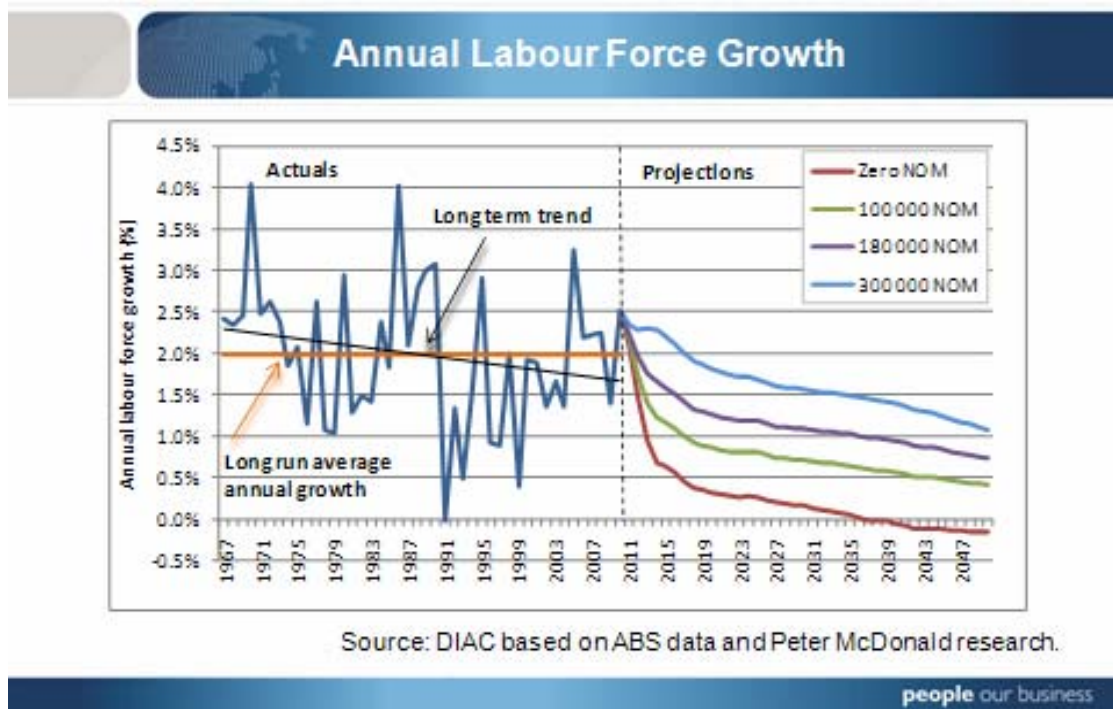
To give you a concrete example of how attractive Australia has now become for potential migrants, when the department ran a 'Skills Australia Needs' expo in Athens in October, nearly 18 000 registrations for the event were received for only 775 places. While there is massive

potential, Australian employers and the public in general need to be more aware of the opportunities that migrants present. Too often, the negatives are highlighted rather than the positives.

We live in a globalised world and we have an open economy. With nearly half of our population either born overseas or with at least one overseas-born parent, and given the demographic cliff our working age population is facing, it is somewhat surprising that there are still views out there that question the need for migration.

Australia's economic success rests largely on the extent to which its migration programs are managed to respond to Australia's socio-economic needs, both in the immediate and the longer term. As the labour force contracts due to ageing, the need to rejuvenate labour forces through migration to support a growing population of retirees will become ever more pressing. Now and into the future, Australia needs migrants to supplement the labour force in key areas where skill shortages exist.

Slide 2 – Projected effect of migration on labour force growth participation



On this slide, we can see that over the last 45 years or so, the annual labour force growth has averaged around two per cent per annum. Looking forward however, we can see how different levels of Net Overseas Migration (NOM) affect the growth of the labour force over the next few decades.

The department projects that, even with high levels of NOM, there will be a long-term trend towards lowered growth of the work force. This looming decline represents a threat to the basis of Australia's economic growth – if migration is reduced to zero – labour force growth quickly drops to zero.

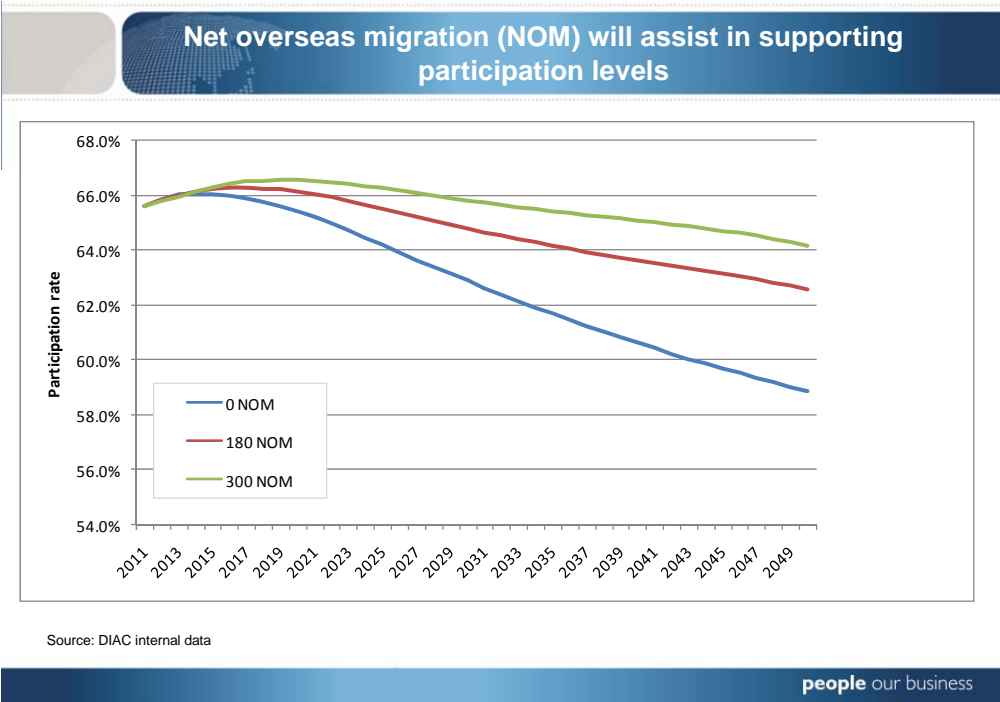
The government plans to invest three billion dollars over the next six years to lift Australia's labour force participation. Increased participation of Australians is a goal worthwhile pursuing from both social and economic policy point of view. However, increased participation will not be sufficient to meet the challenges our labour market will face in the

decades to come. Australia will continue to be reliant on our skilled migration program to deliver workers where skill shortages emerge.

In recent years the government has introduced a series of reforms to maximise the benefits to the economy of migrants’ ‘inherent advantage’ of being a mobile and very active workforce. The policy settings aim to ensure that the skilled migration programs are better targeted to labour market needs and designed to work in tandem with domestic labour market policies. Migrants who come through the skilled migration program do not compete with Australian workers for jobs.

Another frequent misconception about our migration program is that its primary effect on the economy is through the demand side of economic equation – i.e. population growth. It is often overlooked that skilled migrants positively impact on the other two Ps of economic growth: participation and productivity.

Slide 3 – Projected effect of migration on workforce participation



In the next slide we can see comparisons between the impact of different levels of NOM on the participation levels. Again, higher levels of migration are projected to boost the participation rate above the current level for at least the next decade, whereas a zero-net migration rate would see a flat-lining and eventual decline before the end of the decade. As Australia feels the effects of an ageing population leading to a proportionally smaller labour force, we will rely on migration to maintain participation levels. As Peter McDonald’s research for the department has shown, even if we maximise the participation rates of the domestic population, the gap between the demand and supply of workers will still be large without immigration.

Slide 4 – Employment outcomes

Employment outcomes generally exceed the Australian average

	Employer sponsored	Skilled independent	Australian population
Unemployment rate	0.8%	8.7%	5.4%
Participation rate	97.2%	96.7%	65.9%
In full-time skilled work	87.6%	63.1%	25.1%
In part-time and/or unskilled work	8.0%	24.1%	37.4%
Not working	4.4%	12.8%	37.4%
Median annual earnings	\$65,000	\$60,000	\$46,020

- Data on labour force status of Australian population (includes all persons aged 15-64) sourced from Labour Force Australia ABS Cat 6202.0 (Oct 2010 survey)
- Data on median annual earnings for Australian population from Employee Earnings, Benefits and Trade Union Membership, Australia ABS Cat 6310.0 (Aug 2010 survey)
- Outcomes for migrants sourced from Continuous Survey of Australia’s Migrants (CSAM) Cohort 3 - October 2010
- Data on full-time and part-time employment from 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly (November 2010 quarter). Skilled employment defined as Managers, Professionals and Technicians and Trade Workers (ANZSCO major groups 1, 2 and 3)

If we turn to the contribution of migrants to productivity, departmental analysis of skilled migrants to Australia show that they are far more likely

to have university-level qualifications than the local population. They bring with them the experience of having lived and worked in different environments, conditions and circumstances. As a consequence, skilled migrants are likely to be working in a full time job, and have excellent prospects for generating a high rate of pay in the Australian labour market.

Importantly, skilled migrants help establish international networks that foster trade, knowledge sharing, research and innovation. This internationalisation of research and innovation is a crucial component of any modern economy striving to boost its competitiveness and productivity. The benefits are invaluable and usually intangible. Just try to measure the contribution that people like Sir Gustav Nossal, Frank Lowy or Doctor Victor Chang have made to Australia. The skilled nature of our workforce, including Australians and skilled migrants, who foster innovation and productivity, is very attractive for the best and brightest migrants seeking to put highly adaptable skills to good use. The ultimate beneficiary of this cycle is local business, industry and Australian society.

Evidence that our temporary and permanent skilled migration programs are delivering real benefits to Australia's economic performance can be found in skilled migrants' participation rates and earnings, which are both above those of the Australian born population. For example, the average annual earnings of temporary subclass 457 primary visa holder in the Australian labour market – a subset of the 'employer sponsored' migrants in the chart – is \$86 600. This is well above the Australian average, and their participation rate is close to 100 per cent.

The success of our skilled migration programs in assisting economic growth was acknowledged by the Productivity Commission in its Submission to the Taskforce on the Sustainable Population strategy for

Australia. The submission found that migrants on average work longer hours than Australian-born workers and have superior labour market outcomes – both findings indicating that skilled migration is making a positive contribution to participation and productivity.

Demand driven skilled migration: The power is in your hands

I'm sure you'd agree with me that no-one knows better than an employer when there is a job available or what skills are required to do the job.

Recognising this, in recent years the government has genuinely tethered the temporary and permanent skilled worker programs to the labour market by giving preference to demand driven skilled migration programs. In simple terms, the department is making it as easy as possible (within limits) for employers to employ skilled migrants in positions that Australian workers are unable or unwilling to fill.

The demand driven nature of Australia's migration programs is particularly important for job growth in particular sectors, especially in the resources sectors, and in this way are contributing immediately to the Australian economy. Recognising this, the government has provided an additional 12 000 skilled migration places in the 2011-12 migration program, compared to last year.

In the Skill Stream, 46 000 places are allocated to the employer-sponsored category and within that 16 000 are dedicated to the regional migration scheme – which is where most of the current demand for skilled workers is.

Some of you may have spotted a potential problem between the government's unabashed encouragement of a demand-driven skilled migration and the protection of the domestic labour force from being

undercut. No doubt, from time to time, you will read or hear about some employers who seek to take advantage of foreign workers as a means of undercutting Australian terms and conditions of employment.

The department takes a dim view of illegal work hire practices because they:

- can reduce work opportunities for Australians
- may put businesses that comply with the law at a competitive disadvantage
- can contribute to the exploitation of vulnerable workers.

When their actions inevitably come to light in the media, they also undermine public confidence in the integrity of the migration program.

As representatives of business and industry, I am sure that you will recognise the importance of maintaining public confidence in one's brand. In this respect, the department is very aware that 'our brand', so to speak, is tied to the integrity of the migration program. I also think that maintaining public confidence in the migration program is in the best interest of our business community as well.

Howell's review

In early 2011 independent expert Stephen Howells finalised a review for the minister on the effectiveness of current sanctions for employers who allow (or refer) non-citizens for work who do not have a visa permitting work.

Mr Howells found that the current employer sanctions are wholly ineffective as a deterrent or educational tool to address the problem of

illegal work. Moreover, it sends a message that will encourage vulnerable people to take any risk and use any means to enter Australia in the belief that they will be able to work and earn good money.

He recommended the introduction of:

- a three-tiered employer sanctions regime with civil penalties and fines supplementing the current criminal penalties,
- protections for unsuspecting or careless employers in form of statutory defences to these new sanctions,
- education and awareness for employers and labour hire groups on their obligations and how to comply, and
- powers for immigration compliance officers to gather documentary evidence to establish breaches of the penalty provisions.

The government gave in principle agreement to the Howells review recommendations and we expect a more formal announcement about how these recommendations will be implemented will be made in the near future.

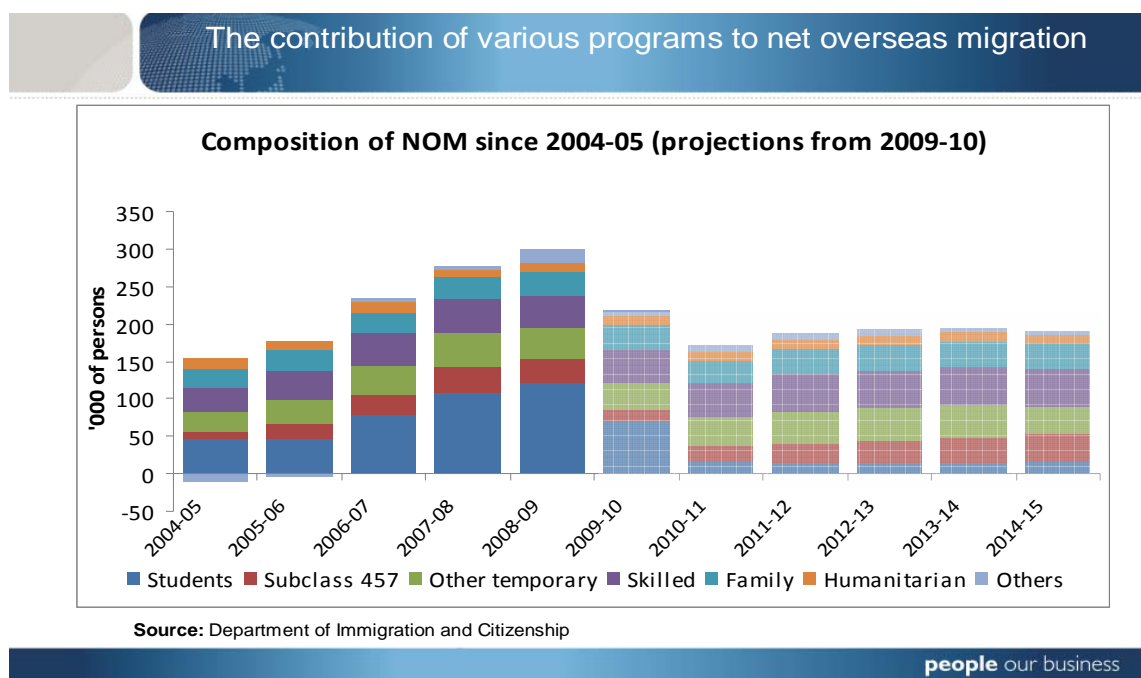
I would like to emphasise that the department is committed to continuing consultation and engagement with stakeholders on the implementation of these recommendations, including on the legislation and in developing our information campaign for employers; just as we did when we implemented the Migration (Workers Protection) Act changes in the 457 space in 2009. Thus, I invite you to write to the department if you have strong views on this issue.

Let me now turn to some major migration reforms that we have implemented in recent years.

Reforms

Over the past few years, the department has implemented various reform measures that have adjusted the pathways between temporary and permanent visas onshore – a systemic problem that led to uncommonly high levels of net overseas migration and population growth pressures in the period 2006 to 2009.

Slide 5: Composition of net overseas migration since 2004-05

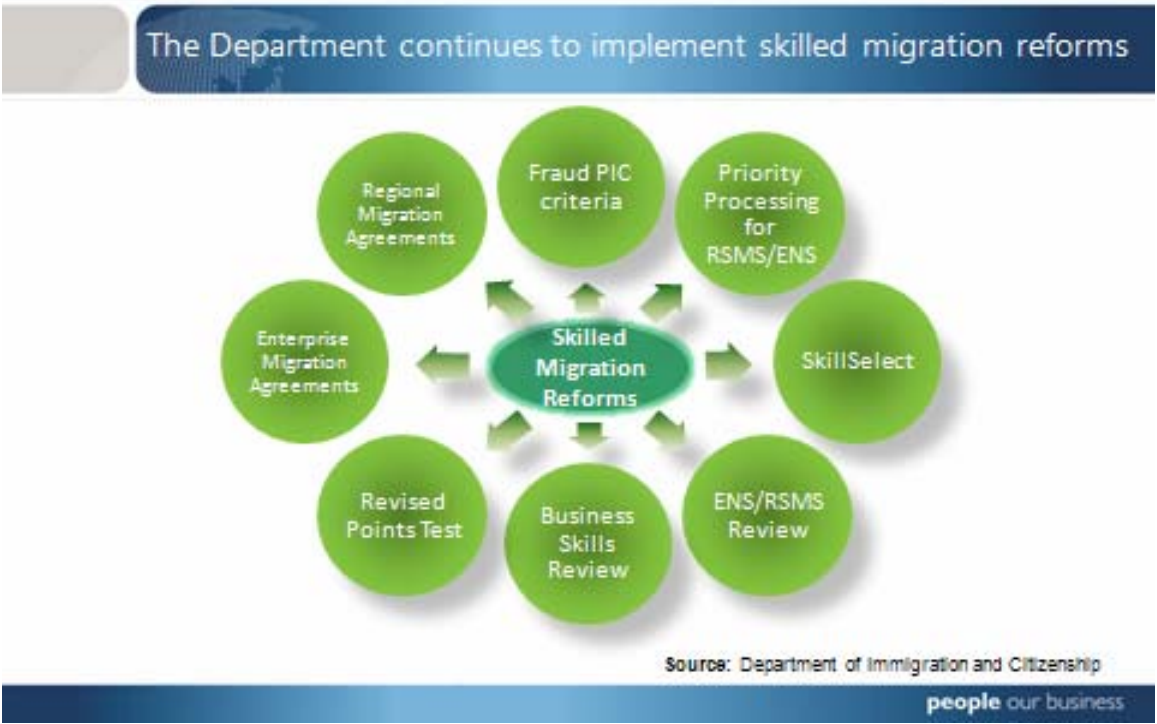


The policy and legislative settings were such that many people were attracted to come to Australia on a temporary visa because they could prolong their stay through a series of temporary and bridging visas in the hope of eventual permanent residence. The spike in temporary residents led to an unsustainable growth of NOM, which peaked at 315 700 in December 2008. More than two thirds of these people being temporary residents in Australia (the bottom three bands of each bar on the graph).

The key objective of recent reforms was to re-establish the temporary nature of the temporary migration programs. In practice this meant ensuring that any extension of temporary migrants' residence in Australia – beyond their first period – was subject to them securing another temporary entry visa (not a bridging visa), or securing a skilled vacancy in the job market and thus an employer sponsored visa. Additional reforms also helped improve the selection process for the permanent independent non-sponsored skilled program.

Since the year ending December 2008, the annual level of net overseas migration has fallen for nine successive quarters and has again become driven primarily by the net permanent migration target decided by government in its annual Migration Program submission. Thus, through reforms of the onshore pathways we brought the control over migration levels back to government – something that the Australian community rightly expects to be the case.

Slide 6: Summary of the skilled migration reforms



I would like to briefly discuss some of the important reforms that are of most interest to the business community.

457 Temporary Business (Long Stay) visa reforms

The 457 program has come to play a vital role in meeting employers' short-term skill needs. Indeed, so successful has the program become that some observers now regard it as an example of international best practice for comparable temporary skilled worker programs.

The 457 program recognises that in an increasingly globalised world, labour and human capital are increasingly mobile and enables Australian businesses to tap into international markets in services and labour for skills and expertise that are unavailable in Australia. This facilitates business innovation and productivity.

As with the government's reforms to other skilled migration programs, recent reforms to the 457 program have sought to bring it more closely into line with the government's skills agenda. This can be seen most clearly through the introduction of training benchmarks, but also with its increased focus on recognised skills and English proficiency ensuring that overseas workers are appropriately skilled and job-ready.

As an employer-sponsored arrangement in which overseas workers are job matched as a condition of entry, the 457 program results in particularly positive labour market outcomes, with applications rates historically tracking closely with both unemployment and job vacancy levels. This demonstrates just how dynamic and flexible the program is in responding to shifts in the labour market.

A quick glance at recent trends demonstrates just how the 457 program is delivering highly-skilled workers to those growth sectors of the economy where they are most needed.

In 2010-11 for example, and into this program year, among the top nominated industry sectors were health and community services, construction, ICT, mining, oil and gas, education and training and professional, scientific and technical services. The program is also effectively targeting highly-skilled occupations, with managers and professionals accounting for over 70 per cent of nominated occupations across the program.

In terms of regional share, the resource-rich states of Western Australia and Queensland – in spite of the latter's difficulties resulting from the natural disasters there – continue to exhibit spectacular growth in 457 visa grants. Western Australia recorded growth rates at over 100 per cent over the past year, during which time it surpassed Victoria as the second largest user of the program.

The vast majority of approved sponsors are small to medium sized enterprises, demonstrating just how important the 457 program has become, alongside skilling and innovation, for spreading the benefits of productivity to small business. And not just to your local café or restaurant, but also to small niche businesses in sectors such as ICT, financial services and professional, scientific and technical services.

The department is responding to this increased demand through a number of key measures. For example, in this year's Budget the government committed \$10 million over four years to fund a new Centre of Excellence for processing 457 visas in Brisbane with the aim of

reducing the median processing time to ten days for applications that are decision-ready.

The department is committed to providing the best possible processing times for all our clients. This additional funding will ensure that processing times remain low as the program keeps pace with the increasing demand for skills brought on by the massive expansion in the number of resource and infrastructure projects, on which a number of contractors represented here today will be engaged.

Indeed, processing times are at historically low levels, with the current median processing time for a 457 visa application down to 21 days. This is down 45 per cent from the previous boom in 457 visa applications in 2007-08.

Recent reforms to the program have also sought to reduce red tape for sponsors by extending the sponsorship period from two to three years, removing the cap on the number of nominations, streamlining the process for sponsoring 457 visa holders who are already onshore, and making 457 visa holders responsible for the costs of their own health care. Overall, the application costs for sponsoring overseas workers remain low and competitive by international standards.

The department has also recently implemented an accreditation scheme for 457 sponsors. This scheme will allow high-volume sponsors who exhibit certain low-risk characteristics to be approved as standard business sponsors for six years rather than three, and receive priority processing of their nominations and visa applications.

Sponsorship accreditation recognises that many Australian businesses, including many represented here today, have a long history of good dealings with the department and an excellent record of compliance not

only with migration laws, but also with workplace relations, taxation, occupational health and safety and other laws.

I should also point out that the accreditation scheme will **not** be limited to those employers who have negotiated a collective agreement with their employees as was previously being considered, and will not favour any particular type of workplace instrument. Nor will the scheme unfairly bar employers for relatively minor or inadvertent breaches of migration or workplace relations laws.

A key factor in reducing processing times is encouraging employers to lodge complete applications. To this end, and to help deal with increasing demand for the 457 program, we are currently working on improving the availability of information to better assist employers applying for the program and have recently organised a series of information sessions specifically for the tourism sector.

Enterprise Migration Agreements

Enterprise Migration Agreements, or EMAs, are a formal arrangement between the Australian Government and a company in the resources sector which allows for the entry of overseas workers. EMAs will assist streamlining access to overseas workers for large scale resources projects where capital expenditure exceeds two billion dollars and the peak workforce during the construction phase requires upwards of 1500 workers.

The introduction of EMAs was implemented following the recommendations of the National Resources Sector Employment Taskforce aimed at addressing the emerging skill shortage in the resources sector.

The taskforce also noted that migration is only one tool for meeting Australia's future skills needs.

To support regional areas in accessing overseas labour in high growth areas where local labour is not available, the department is also developing a Regional Migration Agreement program.

A major benefit of the program is to provide flexible and streamlined access to overseas skilled workers, negotiated on a case-by-case and temporary basis where there is a demonstrable and critical need.

Regional Migration Agreements

Regional Migration Agreements are an important opportunity for local councils, regional development organisations, chambers of commerce and unions to come together to assess the labour needs in their particular region.

Once the labour needs of a local area are agreed, employers can sign on to sponsor workers in a streamlined fashion.

Many remote areas, whether sites for extraction or regional hubs, are facing structural labour shortages.

These can have a heavy impact on local economies, reducing employment opportunities for Australians. By streamlining access to skilled overseas workers, these agreements will promote growth and jobs in remote areas.

Broad engagement and consultation with regional business groups, local councils, state governments and members of the general public will follow so that we can gain feedback on the proposal and to help shape the development of the program.

The department is currently finalising program requirements for Regional Migration Agreements and it is expected that negotiations for the first agreements will occur in early 2012.

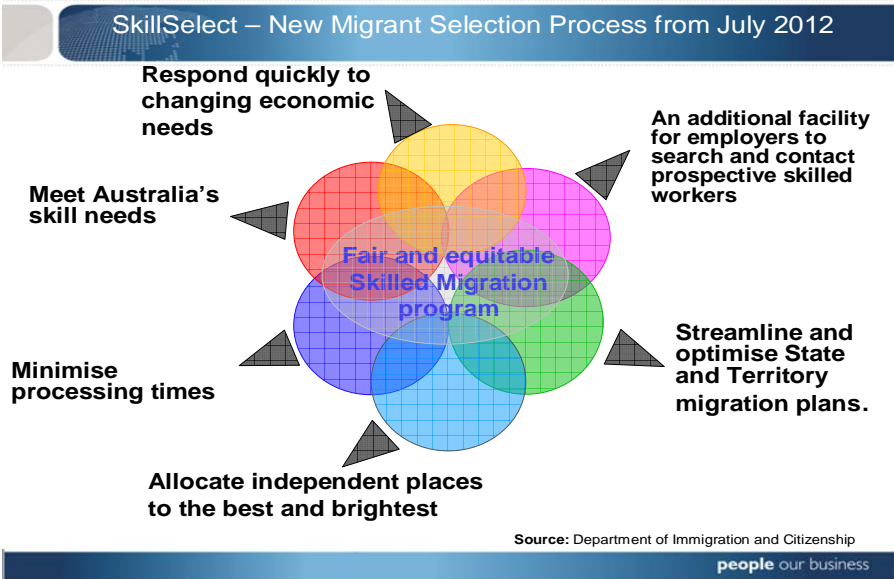
Points Test

We are also refining the way we select high value independent skilled migrants. A new Points Test, which emphasises the importance of English, work experience and high level qualifications, was implemented on 1 July 2011.

The introduction of the new Points Test will ensure that the best and the brightest skilled migrants who represent high economic value are selected.

It is too early to draw any conclusions about the new points test, but one point of interest in the points tested categories is that the proportion of primary applicants with a trade and technical occupations has increased in 2011-12 to 26 per cent, compared to 15 per cent in 2010-11.

Slide 7: SkillSelect



SkillSelect

Another important reform initiative to streamline skilled migration to the benefit of Australia is the introduction of SkillSelect from 1 July 2012.

SkillSelect is a new skilled migrant selection register which will capitalise on the point test system and will ensure the selection of the best and brightest skilled migrants from a pool of prospective migrants.

As many of you would be aware, SkillSelect is based on an electronic two-stage process whereby prospective migrants first submit an expression of interest and may subsequently be invited by the department to make a skilled migration visa application.

Employers will also have the option to access SkillSelect —allowing them to locate and contact prospective migrants that have shown an interest in employer sponsorship.

Currently, the department is formulating an implementation strategy which will lay out the mechanics of SkillSelect and will be submitted to the government by the end of this year.

Employer matching

SkillSelect will connect Australian employers with a register of prospective skilled migrants, including those who have expressed interest in living and working in regional Australia.

Employers can choose to contact prospective migrants from the register and sponsor them for ENS, RSMS, or a Subclass 457 visa through the current processes.

The Australian labour market will benefit from SkillSelect as it will ensure that only the best and brightest migrants whose skills are needed in the Australian economy are selected for migration.

Australian employers will benefit from SkillSelect as they will have access to a register of prospective skilled migrants who are interested in employer sponsorship, as well as those prospective migrants who have expressed interest to live and work in regional Australia.

Conclusion

The migration initiatives and reform measures outlined today, have and will continue to ensure that Australia's immigration programs are competitive, selective and well-managed to maximise the benefits for Australia and its people. The new policy framework also allows the department to deliver a migration program that maintains integrity and the confidence of the Australian public.

After all, it is the public confidence in immigration programs that underpins their success.

Immigration has stood Australia in good stead for many years. It will continue to do so if we ensure that it is managed according to sound long term objectives and if we get the balance right for Australia's future economic, demographic and social needs.

Thank you.